Thought **Leadership**

Homeward Bound: Reawakening the American Dream

Junior Achievement™

The Price of the American Dream

Since the 1890s, when a group of homebuilders first made the association between the American Dream and owning a home, Americans and those new to America have aspired to homeownership as a way to build wealth and create a legacy for their families. Recently, though, much has been reported about the challenges facing young adults when it comes to purchasing their first home. Since 2021, both housing prices and interest rates have risen - despite higher interest rates typically having an inverse effect on home prices - squeezing out many Gen Z-ers and young Millennials from owning a home. In fact, real estate data firm Clever reports that rising housing prices are outpacing inflation by nearly 2-and-a-half times. Consumer Affairs notes this is the result of a long-term trend where certain costs have outpaced wage increases, resulting in Generation Z having 86 percent less purchasing power than Baby Boomers did when they were in their 20s.

These economic realities are impacting how Gen Z thinks about home ownership. For instance, research by Harvard University estimates Gen Z will be the largest renter demographic by 2030. It shouldn't be a surprise, then, that one in three Gen Z-ers don't believe they will own a home in their lifetime.

Not a Complete Picture

Despite these dire statistics, there is evidence that Generation Z isn't completely locked out of homeownership. For instance, before the recent surges in home prices and interest rates, Generation Z was on pace to have higher homeownership rates than Millennials and Generation X did at the same stage of their lives. Even with rising prices, Generation Z is finding ways to own a home, ranging from subleasing rooms to renters to finding remote and Work From Home (WFH) options in more affordable communities.

Ideally, though, Generation Z shouldn't need to resort to unusual living situations to afford a home purchase. Beyond rising prices and stagnant wages, there is evidence that many members of Generation Z are having trouble qualifying for mortgages due to high debt, low credit scores, and problematic credit histories. Beyond the usual suspects, like large student loan debt and low pay, poor financial management may also be attributed to a lack of financial literacy, which isn't always taught in school but is required almost every day by adults trying to navigate the economic realities of life.

Research by Junior Achievement shows teens aspire to have more financially secure lives. But at the same time, they recognize they aren't getting the information they need to achieve them.

An Optimistic Outlook

While it is often assumed that younger Americans are less interested in purchasing a home, a survey conducted by Junior Achievement and Fannie Mae in 2022 found that most teens (88%) would like to own a home someday. The survey reflects that most teens (85%) believe "owning a home" is part of "the good life," compared to nearly as many adults (87%) based on Fannie Mae's Q4 2020 National Housing Survey®. However, fewer than half (45%) of surveyed teens could correctly identify the definition of a home mortgage and 76% said they lacked a clear understanding of credit scores.

According to the survey, teens have a favorable view of home ownership despite more than a quarter (29%) saying that at one time or another they "lost a home" they were living in due to factors like foreclosure or being unable to pay rent. Around a quarter of White teens (27%) say they have experienced being forced out of their home/living space due to foreclosure or missing payments, compared to just over one-in-five Black teens (22%), and nearly double that percentage (41%) of Hispanic/Latino teens.

More Work to Do

While nearly all teens (96%) believe credit scores play an important role in the ability to purchase a home, approximately three-in-four (76%) said they understood credit scores only "somewhat," "a little," or "not at all." A slight majority of White teens (52%) correctly identified the definition of a mortgage, compared to around a quarter (26%) of Black teens and fewer than half (41%) of Hispanic/Latino teens. Nearly all teens (97%) thought it would be helpful if schools offered lessons that explained homeownership, including mortgages.

Currently, 25 U.S. states have some financial literacy requirements in high school. This is nearly double what it was just a decade ago. However, the required courses typically last only one semester and are taught at one grade level, while other courses, like science, math, English, and social studies, are designed to meet students where they are over multiple grades. Introducing teens to financial concepts in one course and expecting students to be financially capable would be the equivalent of taking a student who doesn't know their ABCs and expecting them to read a novel. Like reading and writing, money is something we interact with every day and should be taught like other subjects, especially when it comes to more complex subjects like credit scores, escrow, and mortgage payments.

Our Response

At Junior Achievement, we view financial literacy as “the other literacy.” Just like reading or writing, we all deal with money on a near-daily basis. Yet too often, financial literacy programs consist only of a one-semester elective course in middle or high school that skims the surface of basic concepts. Nobody would be expected to read a book or write a term paper after one semester of lessons on reading or writing yet that’s essentially what happens with financial literacy education.

Here's how JA promotes financial literacy:

- **Curriculum:** JA develops age-appropriate curriculum materials for students from elementary school to high school. These materials cover various aspects of financial literacy, such as budgeting, saving, investing, and understanding credit

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- **Hands-on Learning:** JA emphasizes experiential learning through hands-on activities. Students participate in interactive exercises, simulations, and games that simulate real-world financial situations. This approach helps students understand complex financial concepts in a practical and engaging way.

- **Volunteer-Led Programs:** JA programs are often delivered by volunteers from the business community. These volunteers share their expertise and real-life experiences with students, helping them connect classroom learning to the real world.

- **Impact Measurement:** JA evaluates the effectiveness of its programs through assessments and surveys to measure changes in students' knowledge, skills, and attitudes toward financial literacy. This data helps JA refine its curriculum and improve program outcomes.

What the Research Says

Junior Achievement’s approach gives students the tools to increase their chances of achieving economic security as adults. Research results from Ipsos include:

- 82 percent of JA Alumni agree they have a strong financial footing.
- 68 percent of JA Alumni between the ages of 18 and 29 say they are financially independent of their parents. According to the Pew Research Center, 30 percent of Americans in that age range say the same.
- JA Alumni also report purchasing their first home at 29. The National Association of Realtors reports the average age Americans purchase their first home is 36.